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FRANCE

French President Giscard d'Estaing called during a press conference yesterday for representatives of the principal oil exporters and importers among industrialized and developing nations to meet early next year to discuss energy matters. He suggested that the conference be limited to 10 or 12 nations.

Giscard reiterated his hope that the EC will speak with a single voice on energy matters and said France will not join the US-sponsored Energy Coordinating Group. He added, however, that France would not obstruct efforts to create a new international energy agency within the OECD. Despite Giscard's denial, his call for a "restricted" energy conference early next year is intended to steal a march on the more deliberate strategy behind the Energy Coordinating Group's activity.

Giscard proposed that his conference consider guarantees of the income of oil exporters, "which might consist of pegging the level of oil prices to the level of economic development and set up the threshold at which the guarantees would be applied." It is not clear how the French intend such a system to function. Paris clearly hopes that it will appeal to both the oil importers--looking for lower prices--and the producers--who have spoken of linking their prices to inflation.

An inducement for EC support of the conference is contained in Giscard's suggestion that the Nine could have a single representative speak for the Community. France's boycott of the energy group within the OECD assures that the EC as such cannot be represented in that body.

Giscard also called on his EC partners to join him at a summit meeting in late November or early December to discuss "medium-range" planning for the EC's future. He has been known to want such a meeting before France's term as EC president expires at the end of the year.

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The French President also discussed the situation in the Middle East. He said the world community should recognize the Palestinians' right to a homeland and added that international negotiations should work toward that goal, as well as "recognized and secure frontiers" for Israel.

France supported the UN resolution to allow the PLO to speak during the General Assembly debate on the Palestinian issue, but it has not recognized any group as sole spokesman for the Palestinians. Foreign Minister Sauvagnargues has just returned from Jordan and Lebanon--where he met with PLO leader Arafat--and will soon visit Israel.

Turning to domestic matters, Giscard said he plans to meet soon with leaders from all hues of the French political spectrum to discuss his coming summit meetings with his EC partners, President Ford, and Soviet party chief Brezhnev. [REDACTED]

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USSR

Moscow has made a cash purchase of 1 million tons of Australian wheat, worth \$150 million, for delivery through August of next year [REDACTED]

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[REDACTED] During the past month, the Soviets have been active in the international grain market; confirmed new contracts for fiscal 1975 now stand at about 2.5 million tons of wheat and 1.5 million tons of corn.

The Soviets began this new round of buying in Argentina in mid-September with the purchase of about 500,000 tons of corn and 250,000 tons of wheat. In early October, they bought 3.2 million tons of US grain; the amount was reduced to 2.2 million tons after Treasury Secretary Simon visited Moscow last week. Since then [REDACTED]

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[REDACTED] no actual sales have been reported.

The buying began just as the Soviet harvest was ending. The Soviet press reported that harvesting was slowed by poor weather and that the corn crop was less than expected. An official estimate of the grain harvest has not yet been published; unofficial Soviet estimates have ranged from 190 million to 210 million tons. [REDACTED]

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CHINA

The Chinese have sharply reduced their grain import schedule for 1974, with most of the impact falling on US shipments. China will probably import some 7.6 million tons of grain in 1974 and 7.1 million tons in 1975.

A contract for 600,000 tons of US soybeans has been canceled. Three contracts for US wheat have been deferred until next year. Shipment of 500,000 tons of Canadian wheat will also be deferred until 1975. The overall result is a reduction of about 1.8 million tons from earlier US estimates of Chinese grain imports this year.

Contaminated cargoes and dock strikes in Canada contributed to the reductions. The Chinese also seem to have raised their estimate of the 1974 crop. The minister of agriculture and forestry now claims that grain production this year will surpass the 1973 level of 250 million tons.

Growing conditions for the important fall crop, now beginning to be harvested, have been good and may be the main reason for Chinese optimism. Erratic weather early in the year probably led the Chinese to overbuy grain at midyear, when wheat prices appeared to be softening.

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VENEZUELA

US iron ore concessions will be nationalized by December 9, but the government plans a one-year transition period before the take-over is complete.

President Perez seems eager to mark the 150th anniversary of the Battle of Ayacucho, which ended the wars of independence in Spanish South America, with a triumphant statement that he has achieved the nationalization of one of the country's two major export industries. Such a move would be extremely popular in Venezuela, where nationalistic fervor is high and where there is concern over the degree of foreign economic control. The strong support that already exists for Perez and his nationalistic policies would be strengthened even further.

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Most of the iron ore produced in Venezuela, about 25 million tons a year, is exported to the US. This amounts to one third of US iron ore imports and 11 percent of US consumption.

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Although the precise relationship between Venezuela and the US companies has not been worked out, the present concessionaires probably will retain some marketing functions. In addition, Caracas needs foreign technology and managerial experience for the expansion of its steel industry, and has suggested a junior partner relationship for the US companies in the construction of processing plants and other production facilities.

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OAS

Despite careful groundwork by the sponsors of the resolution to lift the OAS sanctions against Cuba, the OAS meeting in Quito next month is unlikely to be the peaceful, pro forma affair they tried to arrange.

The Cuban issue remains contentious, even though the drafters of the motion used language designed to accommodate all the differing views toward the Castro regime. The sponsors have emphasized that a vote to rescind the 10-year-old sanctions merely serves to free members to associate with Cuba or not, as they choose.

Some of the countries are unwilling to go along with what they regard as an evasion of the real issue. Uruguay charged before the OAS permanent council this week that Havana is still training terrorists and harboring Tupamaro cells in Cuba, and the Uruguayans plan to offer further, more sensitive allegations in private sessions at Quito. Chile is also insisting on a serious analysis of whether Castro has abandoned his policy of subversion and will offer its own brief against Cuba. Neither government expects its view to prevail at the meeting, but each is determined to place its opinion on record.

This may provoke Cuba's advocates to raise the question of US intervention in Latin America. At the moment, this is not a strong likelihood, but publicity about clandestine activities in Chile, combined with disagreements over resource policies, has created an uncomfortable atmosphere for US - Latin American relations. Some of the ministers will also be offended by Secretary Kissinger's absence. Colombia's foreign minister has already publicly criticized the Secretary's decision not to attend as an affront to the Latin Americans.

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ARAB SUMMIT MEETING

Arab foreign ministers meeting in Rabat in preparation for the Arab summit conference beginning Saturday (see Annex) reached a stalemate last night in discussions on reconciling the differing negotiating positions of Jordan and the Palestine Liberation Organization.

A PLO spokesman charged at a news conference that the foreign ministers had met all PLO demands with opposition or "total silence." In response to a leading question, he said a walkout by the PLO is a possibility.

The PLO has been demanding that its status as "sole legitimate" representative of the Palestinian people be reaffirmed. Jordan and some of the other Arab states are objecting to this, claiming that it poses an impediment to Jordan's right to negotiate for the West Bank. According to an Egyptian news service, the foreign ministers, themselves having failed to resolve the impasse, are now inclined to leave it for their leaders to work out at the summit.

A PLO walkout is, in fact, unlikely. The threat, and the fact that the organization aired the deadlock in public, may simply be tactical moves designed to dramatize the organization's position and to wring as many concessions as possible from the other Arab states.

Although the publicity could limit PLO Chairman Yasir Arafat's options, he may prove a more tractable negotiator than his deputies. Moreover, the leaders of the states most directly involved--Jordan, Egypt, and Syria--are themselves somewhat more flexible than their foreign ministers and may be more willing to attempt an accommodation.

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ISRAEL

Prime Minister Rabin will meet with National Religious Party negotiators today in a session that both sides hope will bring their coalition talks to a successful conclusion. Prospects improved considerably when the Religious Party's Central Committee voted late yesterday, by a margin of three to two, to approve a return to the cabinet. If all goes well, Rabin may be able to present a new, expanded cabinet to the Knesset next week.

The remaining question apparently is whether the Religious Party will obtain three or four cabinet seats. Rabin's present coalition partners are reluctant to give the Religious Party the fourth portfolio it seeks unless their own government representation is increased.

[REDACTED]

LEBANON

Lebanese President Franjiyah has asked Rashid al-Sulh, a relative unknown, to form a new government. Since Saib Salam abandoned his efforts earlier this week to form a cabinet, Franjiyah has been looking for a candidate both pliable and acceptable to the various confessional and political blocs in parliament.

Lebanon has been without a government for almost a month. It will take weeks for the premier-designate to put together a slate satisfactory to the various parliamentary factions--if, indeed, he can do it at all.

Sulh is said to have connections with Kamal Jumblatt, who has strong ties with the fedayeen and Syrians. Jumblatt's support could eliminate a major source of the opposition encountered by Saib Salam.

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SOUTH VIETNAM

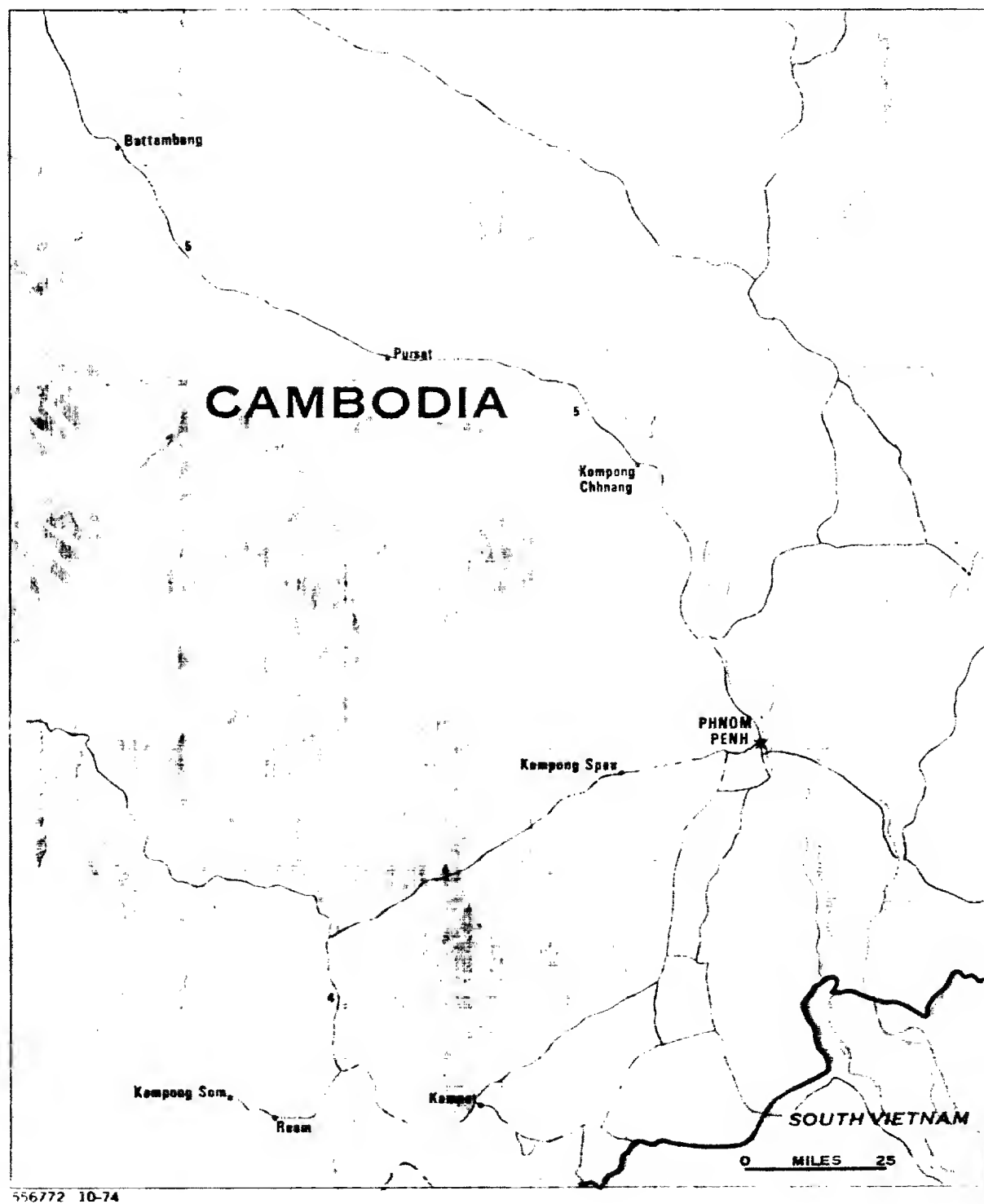
President Thieu's decision to replace four of his cabinet ministers represents an effort by the government to temper rising political criticism.

The most controversial member of the group is Thieu's nephew and minister for information, Hoang Duc Nha. As the government's chief censor, he has come under sharp attack by Saigon's newspaper publishers for his heavy-handed enforcement of the government's press code. The publishers' demand for Nha's removal undoubtedly contributed to Thieu's decision, but the real pressure came from advisers inside the presidential palace.

Prime Minister Khiem, to whom Thieu gave the job of reshuffling the cabinet, and others close to the President have long disliked Nha because of his close personal relationship with the President and his ability to bypass them in dealing with Thieu. Also, Khiem has been concerned about Nha's anti-American bias, and the Prime Minister may have argued with Thieu that the US would be more forthcoming in its support without Nha in the cabinet.

Two of the other dismissals apparently also resulted from adverse publicity. Minister of commerce and industry Nguyen Duc Cuong was recently charged in the National Assembly with illegally profiting from the sale of government fertilizer, and agriculture minister Ton That Trinh drew sharp criticism for his recent statement that Vietnam could soon begin exporting rice. It is possible that the fourth member replaced, finance minister Chau Kim Nhan, will get another cabinet position.

The effects of these changes will not be felt until Thieu appoints new ministers and announces whatever reforms he plans for the various ministries. Khiem would like to consolidate the economic ministries into a super-cabinet post, but he concedes that it is difficult to find someone willing and qualified to take it.



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CAMBODIA

The see-saw fighting which has characterized the contest for control of Route 5 northwest of Kompong Chhnang is continuing.

The communists retain a sufficiently large force in the area to interdict Route 5 almost at will for short periods of time, and they seem intent on disrupting the use of the Route 5 - Tonle Sap supply link to the rice-producing northwest. [REDACTED]

[REDACTED] Cambodian army units will probably be able to clear the interdictions as they occur. This will make the use of the road in this area a day-to-day proposition.

In the capital region, communist troops launched strong attacks against the government's new defense line in the upper Bassac corridor early in the week, but they were repulsed. Tactical air support has been a key factor in the fighting, and all government positions are holding. The extension of the government's perimeter in this area has limited the effectiveness of communist rocket attacks on the capital, but further communist counterattacks are likely.

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FOR THE RECORD

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Israel: Work on civilian construction projects has fallen sharply in Israel since summer, when the government introduced new austerity measures to slow inflation and redress the country's trade imbalance. Work at almost all public construction projects has stopped, and a government committee has been set up to determine which projects will be allowed to continue. Private sector activities apparently will also require committee approval. The construction cutback is geared to nonessential activities. Military and other needed civilian construction, such as immigrant housing and development of new areas, is proceeding apace.

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Yugoslavia-Denmark: Belgrade announced yesterday that Yugoslav President Tito will go to Denmark next Tuesday for a three-day state visit. The announcement of the trip, Tito's first outside the country since his visit to West Germany last June, is another indication that he currently is in reasonably good health.

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ARAB SUMMIT MEETING

The Arab summit meeting scheduled to convene in Rabat on Saturday will play a critical part in determining the next Arab step in peace negotiations.

The question of how to accommodate both Jordan and the Palestine Liberation Organization in negotiations will occupy the major portion of the delegates' attention. The principal Arab leaders may also discuss the relative merits of proceeding on a step-by-step basis versus moving immediately to a resumption of plenary sessions of the Geneva conference.

On either question, a hard-line stance by the more radical elements could tie the hands of the moderates and seriously hamper further progress toward a peace settlement.

The Palestinians and Jordan

President Sadat, who has been in the forefront of the attempt to reconcile Jordanian-PLO differences, will take the lead on this issue during the summit. In essence, Sadat wants Arab recognition of Jordan's role as negotiator for the West Bank. At the same time, he is seeking an elevated status for the PLO that will put it on an almost equal footing with the front-line states and provide at least a long-range hope of obtaining Palestinian satisfaction from the negotiating process.

The mechanics of winning Arab acceptance of Jordan's role will be delicate and will probably involve maneuvering with words. It is doubtful that the PLO, although satisfied with a UN resolution designating it merely "the representative" of the Palestinian people, would accept a similar limited designation from an Arab forum. It might, however, be satisfied with a resolution that avoided spelling out whom it represents. This could be accomplished by simply referring to last year's Algiers summit resolution on the PLO, without specifying that this was the resolution that initially raised the troublesome adjectives "sole legitimate." The PLO's opening speech

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at the preliminary meeting of foreign ministers on Tuesday suggested that this formula might be acceptable to the organization.

The PLO and its supporters among the Arab states could interpret this as reaffirming the uniqueness of its representative role. At the same time, Jordan and Egypt would not be encumbered by a commitment to the limiting adjectives, and Jordan could proceed with an implicit Arab commitment not to oppose its right to negotiate.

Sadat's strategy is endangered less by the possibility that the PLO itself will remain rigid in opposing a role for Jordan than by the chance that its supporters--Algeria, Kuwait, Iraq, and even Syria--will play on each other's sympathy for the Palestinians to outdo the PLO in accommodating its needs. Algerian President Boumedienne in particular could lead a stampede in favor of the PLO and against King Husayn, encouraging the PLO to press for its maximum position. This would wreck Sadat's balancing act and with it his hopes of fielding a united Arab negotiating team in the next round with the Israelis and eventually at Geneva.

The Pace of Negotiations

On the questions of whether to proceed with negotiations by stages and of what those stages should be, Egypt will probably try for a vaguely worded formulation in the resolution or skirt the issue entirely. Some of the other Arabs, particularly Syria, may nonetheless be unwilling to let the issue ride in this way.

Sadat will probably be able to finesse the question of Geneva by agreeing to a noncommittal pledge to return to the plenary conference "as soon as possible." If President Asad, however, forces the issue of which front to treat first in staged negotiations, Sadat is unlikely to gain much Arab support for second-stage Sinai talks not tied to similar negotiations on other fronts. If Asad wanted to tie Sadat's hands in negotiations, he

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could probably win support for a summit resolution requiring that any progress on the Egyptian front be accompanied by simultaneous progress on the Golan or West Bank fronts.

The Politics of Economics

The Arabs' key position in international economic affairs and the various political ramifications of this role will undoubtedly be a chief topic of discussion. No decisions are likely on the substance of oil policies. Oil producers make up no more than a quarter of the membership of the Arab League, and they will not readily submit the essentials of their policies--pricing, the specific political uses of oil, or the use of capital--to discussion by their numerous less affluent colleagues. Indeed, if the Saudis have their way, the entire question will be given short shrift.


Resolutions issued by the Arab leaders will probably no more than affirm the Arabs' right to use oil and money as political weapons when necessary, denounce "Zionist propagandists" for instigating an exaggerated and one-sided attack on Arab producers while attempting to justify present oil policies, and criticize the industrialized states for failure to control inflation. The resolution will probably also emphasize Arab "reasonableness" and readiness to cooperate in the effort to avoid international economic disruption.

One specific area of cooperation will be discussed. The Arabs have been under considerable pressure from African states since the war to relieve the effects of high oil prices in return for the Africans' severance of relations with Israel last year. The Arabs have so far been notably unresponsive. Although both the OAU secretary general and Uganda's Idi Amin have been invited to lobby at the summit on Africa's behalf, little more relief is likely to result from this year's session than from last year's, when a relatively small assistance fund was established.

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Spanish Sahara

Spanish Sahara is unlikely to be on the summit agenda, but it might be raised in corridor discussions. Morocco has raised the issue in the UN General Assembly and called on that body to request an advisory opinion from the International Court of Justice on its claims to the Spanish territory. Mauritania has agreed to support the Moroccan proposal, provided the court also rules on its claim to the area. Both countries seem willing to keep the issue in the UN forum for the present.



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